

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 DODE-00 PA-02 PRS-01 DOTE-00 FMC-02
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FM AMEMBASSY LONDON
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AMEMBASSY COPENHAGEN
AMCONSUL HAMBURG
AMCONSUL BREMEN
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TAGS: EIND, EWWT, EAIR, ECON, UK
SUBJ: NATIONALIZATION OF UK AIRCRAFT AND SHIPBUILDING
INDUSTRIES AND FINANCIAL AID FOR SHIPBUILDING

SUMMARY: THROUGH DELETION OF SHIPREPAIRERS FROM BILL
TO NATIONALIZE UK AIRCRAFT AND SHIPBUILDING INDUSTRIES,
UK GOVERNMENT ON MARCH 2 REACHED AGREEMENT WITH
CONSERVATIVE OPPOSITION FOR PASSAGE OF BILL. VESTING
OF AIRCRAFT INDUSTRY SHOULD TAKE PLACE IN APRIL WITH THAT
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OF SHIPBUILDERS LATER IN SPRING. DURING PREVIOUS WEEK
UK GOVERNMENT ANNOUNCED A 65 MILLION POUNDS AID SCHEME
FOR SHIPBUILDING TO SERVE AS A STOP-GAP MEASURE UNTIL
NATIONALIZATION OF SHIPBUILDING COULD PLACE THE INDUSTRY
ON A NEW FOOTING. END OF SUMMARY

1. CONSERVATIVE OPPOSITION HAS BEEN ABLE TO BLOCK BILL

TO NATIONALIZE THE AIRCRAFT AND SHIPBUILDING INDUSTRIES IN THE HOUSE OF LORDS ON BASIS OF ITS NATIONALIZATION OF SOME, BUT NOT ALL SHIP REPAIR COMPANIES. LORDS AMENDMENT TO BILL TO EXCLUDE SHIPREPAIRERS WAS REJECTED BY GOVERNMENT UNTIL THIS WEEK, THEREBY LEAVING AIRCRAFT AND SHIPBUILDING COMPANIES IN LIMBO REGARDING INVESTMENT AND COOPERATION PLANS. UNDER AGREEMENT UK GOVERNMENT HAS REACHED WITH OPPOSITION BILL WITH AMENDMENT REMOVING SHIPREPAIR FIRMS WILL EMERGE FROM HOUSE OF LORDS MARCH 10 FOR CONSIDERATION AND PASSAGE BY COMMONS. GOVERNMENT EXPECTS TO IMPLEMENT ITS PROVISIONS WITH REGARD TO AIRCRAFT INDUSTRY BY END OF APRIL AND TO SHIPBUILDING INDUSTRY BY LATE SPRING.

2. THE NEW UK FIRM OF SHIPBUILDERS TO BE FORMED OUT OF THE NATIONALIZED FIRMS, NATIONAL SHIPBUILDERS AND REPAIRERS LTD., WILL STILL INCLUDE SOME SHIPREPAIR FIRMS SINCE 3 OF THE 12 SHIPREPAIR FIRMS DESIGNATED FOR NATIONALIZATION ALREADY HAVE MAJORITY UK GOVERNMENT OWNERSHIP AND WILL BE MERGED INTO THE NEW FIRM.

3. LAST WEEK THE UK DEPARTMENT OF INDUSTRY ANNOUNCED A 65 MILLION POUNDS AID PACKAGE TO HELP BRITISH SHIPBUILDERS WIN ORDERS FOR NEW SHIPS AND IN OTHER WAYS FEND OFF BANKRUPTCY UNTIL NATIONALIZATION OF THE COMPANIES COULD BUT THE INDUSTRY ON A SOUNDER FOOTING. SCOTT-LITHGOW SHIPYARDS WERE IMMEDIATELY GRANTED 5 MILLION POUNDS FROM THE FUND TO FINANCE COMPLETION OF A 262,000 TON TANKER STARTED FOR MARITIME FRUIT
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CARRIERS LTD AND LATER CANCELLED, BUT NOW TO BE SOLD TO THE GREEK NIARCHOS GROUP. IN THIS CASE THE FUNDS WILL MAKE UP THE DIFFERENCE BETWEEN WHAT THE NIARCHOS GROUP IS PAYING FOR THE TANKER IN A DISTRESS SALE AND WHAT IT IS COSTING THE YARD TO BUILD. HOW THE FUND WILL BE USED HENCEFORTH IS NOT ENTIRELY CLEAR, BUT THE DEPARTMENT OF INDUSTRY HAS SAID THAT THE FUND WILL NOT BE USED TO UNDERCUT EUROPEAN COMPETITION, BUT TO BRIDGE THE PRICE GAP BETWEEN EUROPEAN AND FAR EASTERN COUNTRIES ESPECIALLY JAPAN. UK HAS INFORMED THE EC COMMISSION OF ITS INTENTION TO INTRODUCE THE INTERVENTION FUND AS A MATTER OF URGENCY AND BELIEVES THE PROPOSALS CONFORM WITH BRITAIN'S TREATY OBLIGATIONS. AS MINISTER OF STATE FOR INDUSTRIES KAUFMAN ASSERTED IN THE COMMONS, "WE CONTINUE TO BE FIRM ADVOCATES OF A COMMUNITY POLICY FOR SHIPBUILDING".

4. BOTH AIRCRAFT AND SHIPBUILDING INDUSTRIES ARE HAPPY TO HAVE THEIR UNCERTAINTY LIFTED. THEY HAVE BEEN

FORESTALLED FROM REORGANIZATION, INVESTMENT AND NEW VENTURES. THE MOVE IS PARTICULARLY IMPORTANT FOR THE AIRCRAFT INDUSTRY WHICH WANTS TO GET ORGANIZED AND DECIDE WHAT COOPERATIVE AIRCRAFT DEVELOPMENTS IT CAN PARTICIPATE IN WITH ITS US OR EUROPEAN COUNTERPARTS.

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